

# **SUBCOMMITTEE NO. 5**

## **Agenda**

### **Committee on Revenues and the Economy**

---

Chair, Senator Denise Moreno Ducheny



**December 12, 2008**

**9:30 A.M.**

**Room 4203**

**(Brian Annis)**

- |            |                        |               |
|------------|------------------------|---------------|
| <b>I.</b>  | <b>Cash Management</b> | <b>Page 1</b> |
| <b>II.</b> | <b>Revenues</b>        | <b>Page 2</b> |

Senate Budget and Fiscal Review Subcommittee #5 (Revenues and the Economy)  
December 12, 2008

		Gov Proposal			LAO Options			November Alternative			Senate Republican Alternatives		
		2008-09	2009-10	Total	2008-09	2009-10	Total	2008-09	2009-10	Total	2008-09	2009-10	Total
Cash Management													
1	Expand Internal Borrowing for Cashflow. This would allow additional special-fund cashflow borrowing of about \$2.0 billion to aid the state in paying General Fund obligations in late February/early March and other low-cash months in 2009-10 and thereafter. No budget impact in terms of reducing the State's \$28 billion hole; however, some savings may be achieved from reduced costs for external borrowing.	(2,000)	(2,000)	\$0.0			\$0.0			\$0.0			\$0.0
Subtotal , Revenue Measures		\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

**Senate Budget and Fiscal Review Subcommittee #5 (Revenues and the Economy)**  
**December 12, 2008**

		Gov Proposal			LAO Options			November Alternative			Senate Republican Alternatives		
		2008-09	2009-10	Total	2008-09	2009-10	Total	2008-09	2009-10	Total	2008-09	2009-10	Total
<b>Revenues</b>													
<b>1</b>	<b>Temporary (3-year) 1.5 cent Increase in the Sales Tax.</b> This would increase the base State rate from 5.0 cents to 6.5 cents. Including base local taxes, consumers would pay a total of 8.75 cents per dollar - higher in some areas that have adopted local measure taxes. No currently taxed goods are exempted.	\$2,628.0	\$6,744.0	\$9,372.0			\$0.0			\$0.0			\$0.0
<b>2</b>	<b>Broaden Sales Tax to Some Services.</b> The Governor proposes taxing the following services: furniture, appliance, and vehicle repair; golf; veterinarian services; amusement parks; and sporting events.	272.4	1,153.9	1,426.3			0.0			0.0			0.0
<b>3</b>	<b>Oil Severance Tax.</b> Adopt a 9.9 percent tax rate; exception for stripper wells. Currently, there is no oil severance tax in California. Other oil producing states such as Alaska and Texas have this tax.	354.4	845.9	1,200.3			0.0			0.0			0.0
<b>4</b>	<b>Nickel a Drink Alcohol Tax.</b> Alcohol taxes were last raised in 1991.	195.3	585.0	780.3			0.0			0.0			0.0
<b>5</b>	<b>Vehicle License Fee (VLF) Rate and Realignment.</b> Set VLF rate at 1 percent (up from the current 0.65 percent), shift VLF administrative costs, and use funds to realign some criminal justice and mental health responsibilities from the state to counties.			0.0	0.0	1600.0	1,600.0			0.0			0.0
<b>6</b>	<b>Reinstate VLF at 2 percent, no Realignment.</b> Increase VLF to the 2 percent rate that was in place from 1948 to 1998.			0.0			0.0	1,400.0	4,300.0	5,700.0			0.0
<b>7</b>	<b>Personal Income Tax Surcharge.</b> Increase final tax liability by 5 percent for all taxpayers in 2009.			0.0	1150.0	1100.0	2,250.0			0.0			0.0
<b>8</b>	<b>Maintain 2007 tax brackets for 2008 (similar outcome to suspension of indexing).</b> Index off adjusted brackets in 2009, 2010, and 2011. In 2112, recompute brackets as if no changes had occurred.							1,420.0	995.0	2,415.0			
<b>9</b>	<b>Reduce Dependent Credit.</b> Make the dependent credit the same as the personal exemption (\$99 per person). In 2008, the dependent credit was \$309.			0.0	0.0	1100.0	1,100.0			0.0			0.0
<b>10</b>	<b>Eliminate the Senior Credit.</b> Eliminate the additional \$99 credit provided to seniors - seniors would still get the regular personal exemption (\$99 per person).			0.0	0.0	130.0	130.0			0.0			0.0
<b>11</b>	<b>End Small Business Stock Exclusion.</b> Eliminate the deduction for qualified sales of small business stock that exempts 50 percent of the gain from taxation.			0.0	0.0	55.0	55.0			0.0			0.0
<b>12</b>	<b>Repeal the Like-Kind Exchange Exclusion.</b> Tax all like-kind exchanges, which currently allow individuals to avoid paying taxes on the sale of property, by purchasing a similar property.			0.0	65.0	290.0	355.0			0.0			0.0
<b>13</b>	<b>Tax Debt Collection - Bank Records.</b> Allow the Franchise Tax Board (FTB) to establish the Financial Institutions Records Match (FIRM) program that would require banks to match records of account holders to delinquent taxpayers for improved collection of unpaid tax liabilities. A similar program is currently in effect for unpaid child support.			0.0	-2.6	35.4	32.8			0.0			0.0
<b>14</b>	<b>Tax Debt Collection - Occupational Licenses.</b> Allow the FTB, through partnership with state licensing entities, to suspension of occupational licenses if tax debts are not paid.			0.0	0.0	12.0	12.0			0.0			0.0
<b>Subtotal , Revenue Measures</b>		<b>\$3,450.1</b>	<b>\$9,328.8</b>	<b>\$12,778.9</b>	<b>\$1,212.4</b>	<b>\$4,322.4</b>	<b>\$5,534.8</b>	<b>\$2,820.0</b>	<b>\$5,295.0</b>	<b>\$8,115.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>